



House of Representatives

General Assembly

File No. 47

January Session, 2007

Substitute House Bill No. 7038

House of Representatives, March 13, 2007

The Committee on General Law reported through REP. STONE of the 9th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE HOME IMPROVEMENT GUARANTY FUND.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (k) of section 20-432 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2007*):

4 (k) In order to preserve the integrity of the guaranty fund, the
5 commissioner, in the commissioner's sole discretion, may order
6 payment out of said fund of an amount less than the actual loss or
7 damages incurred by the owner or less than the order of restitution
8 awarded by the commissioner or the Superior Court. In no event shall
9 any payment out of said guaranty fund be in excess of [fifteen] twenty
10 thousand dollars for any single claim by an owner.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>July 1, 2007</i>	20-432(k)
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Statement of Legislative Commissioners:

The title was changed to accurately reflect the contents of the bill.

GL *Joint Favorable Subst.-LCO*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Consumer Protection, Dept.	Home Improvement Guaranty Fund - Revenue Loss	Up to 535,000	Up to 551,050

Municipal Impact: None

Explanation

The bill results in a cost of up to \$535,000 to the Home Improvement Guaranty Fund (HIGF), related to an increase in the cap from \$15,000 to \$20,000 for a single home owner claim. In FY 06, the number of claims for restitution from the HIGF for the maximum restitution of \$15,000 or more was 107. If all 107 claimants were to receive an additional \$5,000, there would be a cost of \$535,000.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sHB 7038*****AN ACT CONCERNING THE HOME IMPROVEMENT GUARANTY FUND.*****SUMMARY:**

This bill increases, from \$15,000 to \$20,000, the cap on a home improvement guaranty fund payment for a single claim by a home owner.

EFFECTIVE DATE: July 1, 2007

BACKGROUND***Home Improvement Guaranty Fund***

The fund was established in 1988 to reimburse people unable to recover from a registered contractor losses suffered because the contractor failed to fulfill a contract. Homeowners who use an unregistered contractor cannot avail themselves of the fund, unless their contractor was registered within two years before contracting with the homeowner (CGS § 20-432).

Registered home improvement contractors and salespeople pay annual fees (\$100 and \$40 respectively) into the fund when renewing their registrations. The amount in the fund is capped at \$750,000. When annual fees cause the fund to exceed its cap, the first \$400,000 spills over into the Department of Consumer Protection's consumer protection enforcement account. Amounts over that spill over into the General Fund.

If the department pays restitution to the consumer, the law requires the consumer to subrogate his claim against the contractor to the commissioner and requires the commissioner to seek to recover it.

COMMITTEE ACTION

General Law Committee

Joint Favorable

Yea 18 Nay 0 (02/27/2007)